

presence in virtually all United States homes and businesses and have the financial resources to deploy fiber/coax deeper into their networks for utility functions as well as communications applications. In fact, these companies have already begun to move into the access business. For example, within the Bell Atlantic region, Baltimore Gas & Electric, which has had a cooperative business relationship with MFS since 1990, has hundreds of miles of fiber in Baltimore and separately provides access service to business customers. Other utility companies are proving access services directly or are providing facilities to CAPs.

**E. Wireless (Cellular and PCS) Competition**

22. Wireless telephony is a growing segment of the telephone industry. IXCs are moving into this field to secure a competitive advantage, to try to bypass LEC networks, to reduce access charges and to generate new revenues. Cable companies and CAPs also are entering the wireless arena and are major recipients of PCS trial licenses. In the Bell Atlantic region, 21% of these PCS licenses are held by cable companies.

23. Very Small Aperture Terminals (VSATs), which use an inexpensive two-foot dish for voice and data communications via satellite, is another growing segment of the wireless market. For many data applications in the automotive, retail, financial, newswire, and lodging industries, VSATs have proven to be much cheaper than voice-grade leased telephone lines. At least 49 businesses within the Bell Atlantic region use VSAT communications at over 3,000 locations.

24. In sum, Bell Atlantic faces increasing competition from a variety of competitors. Attached as Exhibit 3 is a map of the Bell Atlantic region that shows the urban areas where these competitors operate. Moreover, while competition is growing for all services, it is already especially intense for several categories of interstate services.

## II. INTERSTATE TOLL AND CORRIDOR SERVICES ARE COMPETITIVE

25. For Bell Atlantic, the bulk of revenues in its interexchange basket consists of interstate interLATA corridor service and interstate intraLATA service.<sup>21</sup> For these services, all customers have competitive alternatives, and there is no justification for continued price regulation.

26. Since divestiture, Bell Atlantic has been permitted to provide interexchange service in two interLATA "corridors" -- from northern New Jersey to New York and between Philadelphia and southern New Jersey. Thus, Bell Atlantic competes head-to-head with AT&T, MCI and numerous other IXCs, that carry a majority of the traffic. In fact, 100% of the potential customers for Bell Atlantic corridor service have alternatives, and a majority of the revenues for corridor interexchange services go to other vendors even though Bell Atlantic's prices are below those of AT&T and MCI.

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<sup>21</sup> Included with interstate toll and corridor services, Bell Atlantic seeks competitive treatment for related operator services: Customer Dialed Calling Card Station, Operator Station, Person-To-Person, Directory Assistance Charge, and Directory Assistance Service Call. These operator services face competition from the same interexchange carriers that compete for interstate toll and corridor service customers. Bell Atlantic is not seeking competitive treatment for the remaining Operator Services.

Since divestiture, Bell Atlantic's corridor revenues have fallen an average of more than 11½ per year due to competitive pressure.

27. In addition, within the Bell Atlantic region there are three LATAs that cross state lines. The Philadelphia LATA includes all of Delaware; the Washington, D.C. LATA includes northern Virginia and parts of Maryland; and the Hagerstown LATA includes parts of West Virginia and Maryland. In all three of these LATAs, all customers have the option of placing interstate, intraLATA calls by using AT&T, MCI or one of more than 40 other IXC competitors. They do so simply by dialing the 10XXX code associated with a particular carrier.

28. Moreover, customers already use these competitors' services. For example, many business customers use dedicated special access circuits to connect directly to IXCs, and use the IXCs for both their interLATA and intraLATA toll traffic. Other medium and large users with PBXs already program them to dial automatically so that they reach an IXC for their interstate, intraLATA toll calls.

29. Similarly, automatic dialers and speed calling offer the same capability to residential customers and small businesses. In fact, these customers can automatically dial precoded numbers in several ways. Many telephones and private switching systems already have the capacity to automatically dial precoded numbers, and separate automatic dialing devices are readily available in stores.

30. Competitive pressure has forced both a real and a

nominal reduction in the prices for the services in the interexchange basket. The Bell Atlantic interexchange basket is now priced below its cap, and has been for the last two years and for all but three months of the entire price cap period.

31. In sum, customers of these services in the interexchange basket have competitive alternatives available to them and have benefitted from competitive prices. Interstate toll and corridor services should be removed from price cap regulations.

### **III. HIGH CAPACITY SERVICES ARE COMPETITIVE.**

32. High capacity services (all DS1 and DS3 categories in the trunking basket) are also competitive today. A DS1 circuit (1.544 Mbps) is capable of carrying 24 voice grade channels and a DS3 circuit (44.736 Mbps) is capable of providing 672 voice grade channels. DS1 service is used primarily by business customers with high volumes of traffic between their location and an IXC POP, another high volume location, or multiple sites. It is often used for corporate backbone networks and Local Area Network interconnections. DS3 service provides higher capacity voice and data circuits, which may include aggregates of DS1 traffic from multiple locations. All of the CAPs that operate in the Bell Atlantic region offer high capacity services.

33. In today's market, competition for high capacity access is intense. Revenues from the larger business customers that use these services are very concentrated. Nationwide, over 60% of large business customers rely on CAPs for at least part of their access services.

34. In the Bell Atlantic region, the concentration is even more pronounced. Today, more than two thirds of Bell Atlantic customers' demand for high capacity service comes from metropolitan areas served by competitive providers.<sup>22</sup> Moreover, 10% of the wire centers produce 86% of the demand for DS1 and DS3 services. Therefore, by collocating in only a few wire centers, CAPs can expand their already considerable reach and virtually blanket all areas with high capacity demand within the region.

35. Moreover, CAPs' willingness to expand their networks to where customers are located, gives them the ability to offer near ubiquitous coverage for key markets. For example, Eastern TeleLogic advertises: "Unprecedented Scope: We are where you are." Penn Access offers fiber optic digital connections to every major long distance carrier "from every major Pittsburgh address."

36. This competitive pressure has had a real impact on prices. DS1 and DS3 service categories have consistently been priced below the upper limits of their service band. The local transport element which (until this year), included DS1 and DS3 transport has also consistently been priced below its price cap.

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<sup>22</sup> These areas are Baltimore; Newark (Northern New Jersey); Norfolk (Virginia Beach, Newport News); Philadelphia; Pittsburgh; Richmond (Petersburg); Trenton; Washington, D.C. (Maryland, northern Virginia, and West Virginia suburbs); and Wilmington.

Because Bell Atlantic data is limited to its own customers, these percentages for the availability of competitive alternative are likely to be low. In fact, survey results indicate that in Baltimore, Pittsburgh, Washington, D.C., and Philadelphia utilization of CAPs for high capacity service ranges between 24% and 33% of all such traffic. When these customers of competitors are factored in, total availability is much higher.

The charge for an average DS3 ten mile circuit has fallen 35% over the life of the price cap plan. For a DS1 circuit, the price has almost been cut in half (42%).

#### **IV Video Dialtone Service is Competitive**

37. Bell Atlantic has several Section 214 applications pending for authority to provide video dialtone service. As a competitive alternative to traditional cable television, video dialtone will largely compete with established suppliers that serve a majority of households in their customer base. Moreover, the homeowners that subscribe to video dialtone service will also be offered alternative programmers within the video dialtone framework. Finally, Direct Broadcast Satellite technology allows competitive providers the ability to reach every home and business in the Bell Atlantic region.

38. Bell Atlantic has already announced that its video dialtone service will be priced competitively as compared to cable alternatives. Given the extent of the competition, Bell Atlantic could not do otherwise. As with its competition for access service, the alternative providers will not be under price regulation.<sup>23</sup>

#### **IV. CONCLUSION**

39. It is clear that customers of high capacity and interstate toll and corridor services have alternatives, and the

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<sup>23</sup> See *Implementation of Sections of the 1992 Cable Act - Rate Regulation*, 8 FCC Rcd 5631 (1993).

resulting competition has had a real impact on Bell Atlantic's prices for these services. New Video Dialtone service will also face incumbent competition. The variety of alternative providers, combined with the ability to collocate at Bell Atlantic facilities, means an expansion in the level of competition going forward. Because these services are competitive today, and because price regulation of competitive service distorts the market to Bell Atlantic's and consumers' economic disadvantage, the artificial price cap restraints should be lifted.

I swear that the foregoing is true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Richard E. Beville

Sworn to and signed before me  
this 9th day of May, 1994.

  
\_\_\_\_\_  
Notary Public

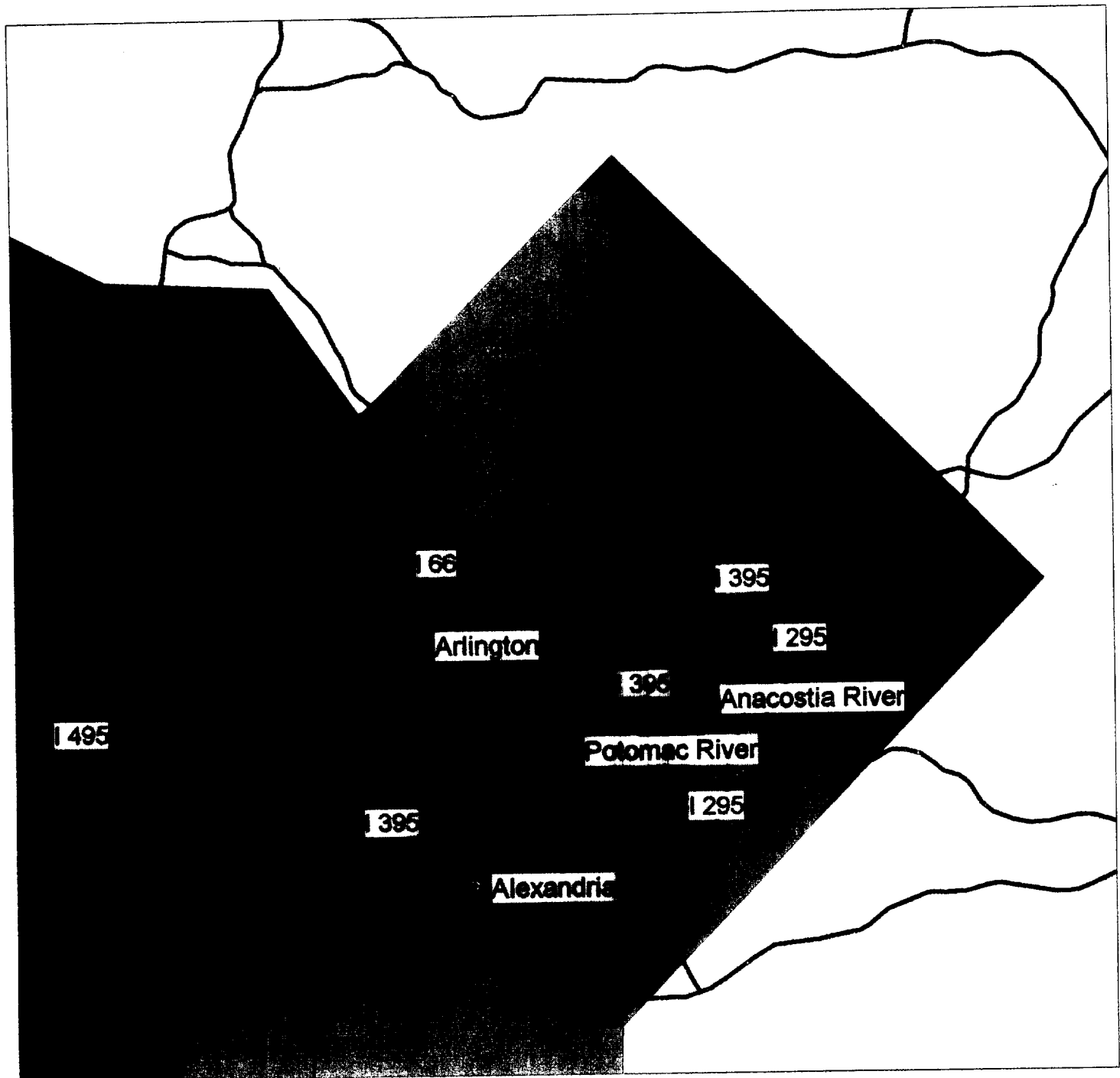
My Commission expires: 7/31/97

## **EXHIBIT 1**



# MFS Network

## Northern Virginia, District of Columbia



### Distribution of Access Revenues

- MFS
- Top 25% of Wire Centers
- Next 25% of Wire Centers
- Next 50 % of Wire Centers

Note: Wire Centers are Ranked by State

## **EXHIBIT 2**

$S^2$ =SAVINGS!

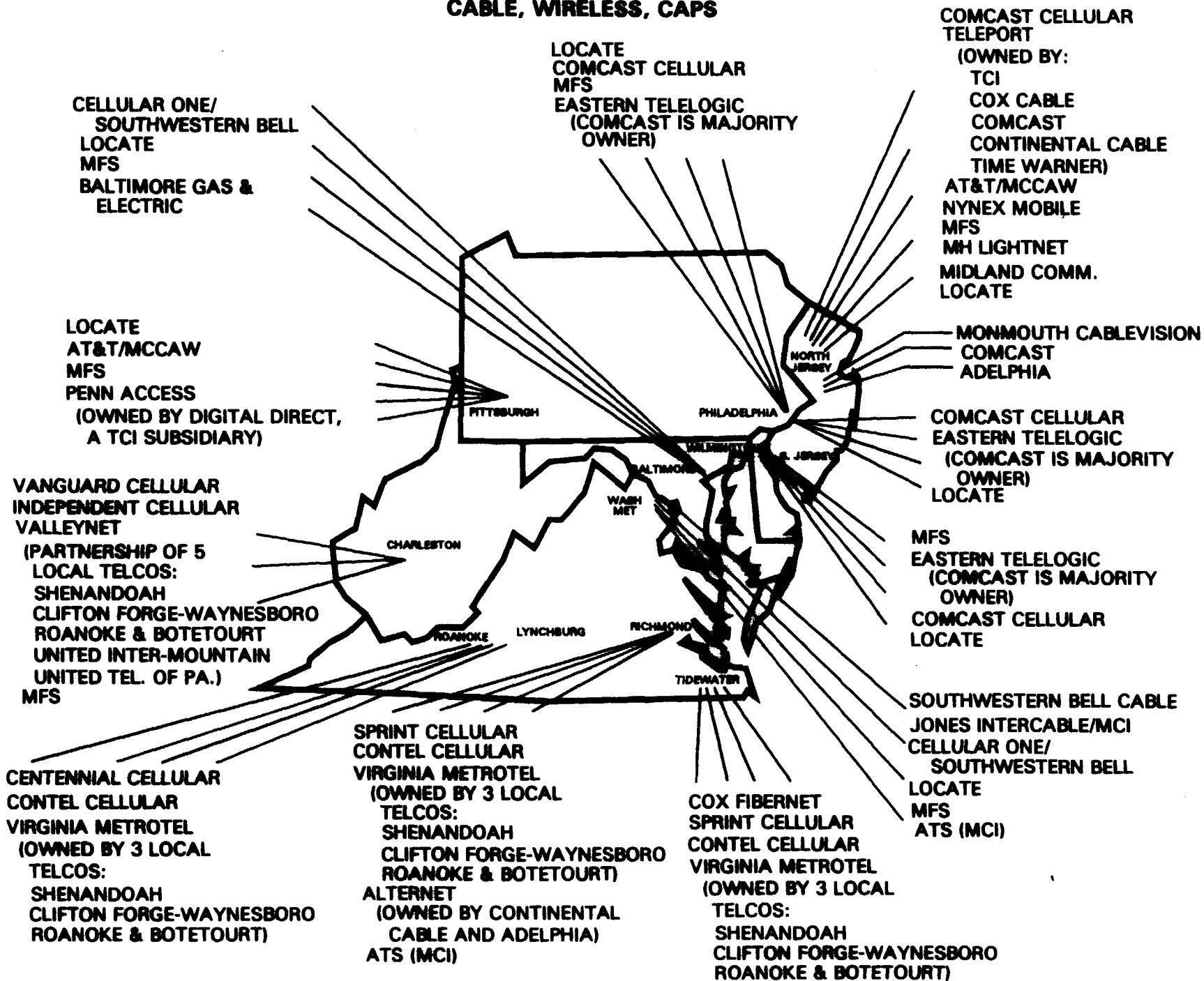
SIGHTS!

SOUNDS!

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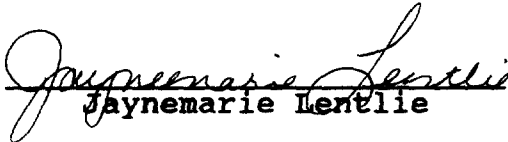
**EXHIBIT 3**

**MAJOR COMPETITION IN BELL ATLANTIC URBAN AREAS  
CABLE, WIRELESS, CAPS**



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Comments of Bell Atlantic" was served this 9th day of May, 1994, by first class mail, postage prepaid, on the parties on the attached list.

  
Jaynemarie Lentlie

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